



Climate Transition Plan

2024

Introduction

At Cadence, our focus is on enabling the world's leading companies to innovate technology that improves the lives of people around the globe. For over 30 years, Cadence has advanced the electronics revolution, enabling customers to design products with a sustainable mindset and transforming nearly every aspect of our daily experiences.

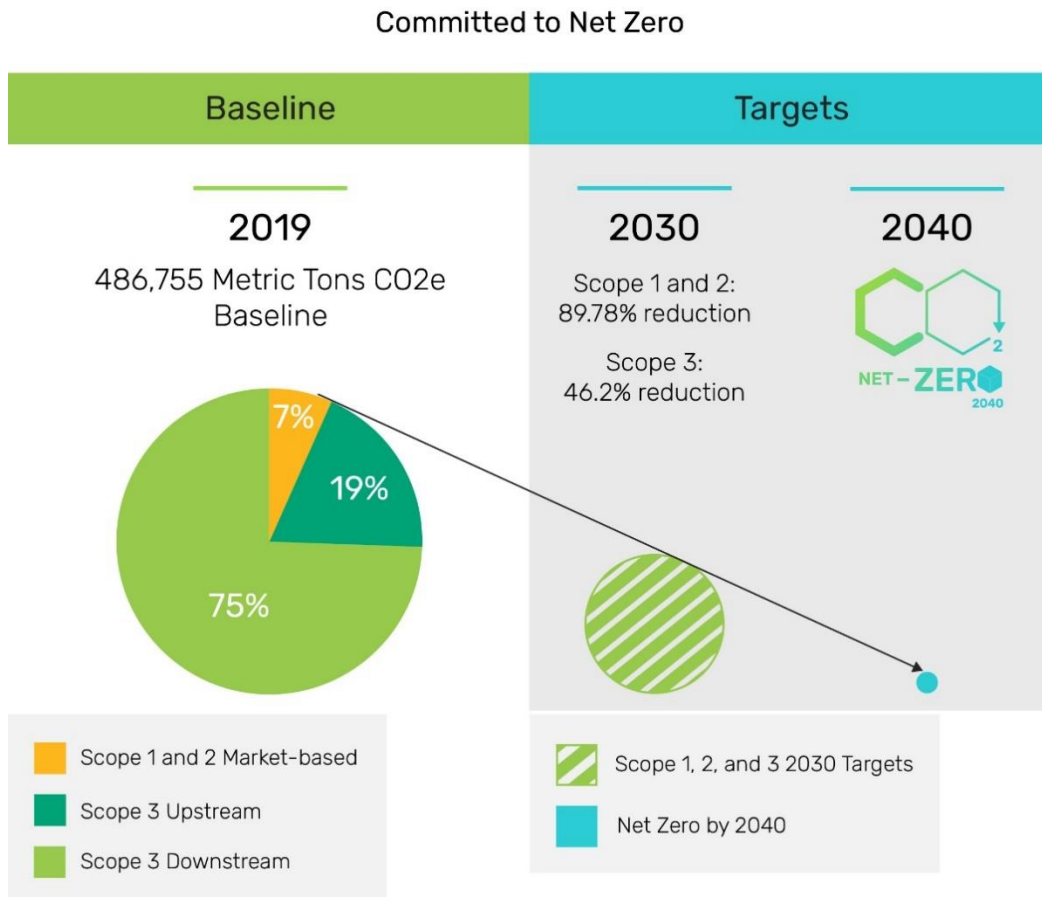
Cadence has aligned its carbon reduction targets with the goal of limiting global warming to the Paris Agreement's 1.5°C pathway. This Climate Transition Plan outlines the targets, strategies, and initiatives Cadence plans to take to reach Net-Zero emissions by 2040. Our plan is informed by scenario analysis and includes information on our processes for risk and opportunities management, financial planning, and governance mechanisms. In this plan, "Net-Zero" as applicable to Cadence means the state, based on the Science Based Target initiative (SBTi)'s Corporate Net-Zero Standard, where the company's greenhouse gas (GHG) emissions are fully counterbalanced by carbon removal or avoidance initiatives in which the company participates or undertakes.

Although we have not to date identified any substantive climate-related risks applicable to Cadence, we continue to invest in climate risk assessments, as well as climate change mitigation and adaptation strategies across our operations and value chain.

Our solutions enable our customers to innovate products that meet their critical business goals including time-to-market, costs and productivity while responding to growing global environmental concerns including sustainability. We believe we are well positioned to capture climate-related opportunities as our Intelligent System Design Strategy provides resilience in the face of climate change.

Targets

Cadence has aligned the company's carbon reduction targets with the goal of limiting global warming to 1.5°C above preindustrial levels. Our near-term absolute and Net-Zero GHG reduction targets were approved by the Science Based Targets initiative (SBTi), in July of 2024, and cover our own operations (Scope 1 and 2 GHG emissions) as well as our upstream and downstream value chain (Scope 3 GHG emissions).



Cadence's SBTi Approved GHG Reduction Targets

Near-Term target	Reduce absolute scope 1 and 2 GHG emissions 89.78% by 2030 from a 2019 base year Reduce absolute scope 3 GHG emissions 46.2% within the same timeframe
Long-Term target	Reduce absolute scope 1 and 2 GHG emissions 90% by 2040 from a 2019 base year Reduce absolute scope 3 GHG emissions 90% within the same timeframe
Net-Zero target	Reach net-zero greenhouse gas emissions across the value chain by 2040

Footnote: Cadence commits to publicly report the progress against our published targets annually along with company-wide GHG emissions inventory as well as review our targets against the latest SBTi criteria and guidance within five years, and if necessary, recalculate and revalidate for continued recognition by the SBTi.

Strategy

This transition plan, that aligns with a 1.5°C world, outlines Cadence's strategy to reach Net-Zero emissions by 2040 and ensures that our business provides products and services that will continue to be relevant in a low-carbon world. Based on our current risk assessments and scenario analysis, as discussed below, we believe we are well positioned to capture climate-related opportunities and that our Intelligent System Design Strategy provides resilience in the face of climate change. We have not identified any climate-related risks with the potential to have a substantive effect on Cadence or that are anticipated to have a substantive effect on Cadence in the future. Realizing our goal will require action across our value chain, including:

1. Operations and data centers
2. Our value chain through stakeholder engagement
3. Compute activities through Cadence products and services

Summary of Transition Initiatives

Near-Term SBTi targets (2030)	Long-Term SBTi targets (2040)	Initiatives	Actions
Scope 1 and 2 Absolute reduction of 89.78%	Scope 1 and 2 Absolute reduction of 90%	Renewable Energy Procurement	Procure 100% renewable electricity and continue the transition to long-term, purchaser-caused renewable energy contracts
		Upgrade HVAC Systems	Retrofit and upgrade existing HVAC equipment where feasible
		Electrification	Retrofit and upgrade existing fossil fuel systems to electricity where feasible
		Other Scope 1 Reductions	After actions have been taken, we may neutralize remaining emissions with high-quality carbon removals
Scope 3 Absolute reduction of 46.2%	Scope 3 Absolute reduction of 90%	Supplier Engagement	Continue strategic partnerships with suppliers who have committed to a low carbon future Encourage partners that have not yet set greenhouse gas (GHG) reduction targets to do so
		Customer Engagement	Continue to track and measure customer progress towards Net-Zero emissions
		Low-Carbon Products	Continue to create sustainable innovation in Intelligent System Design™ for our customers
		Other Scope 3 Reductions	After actions have been taken, we may neutralize remaining emissions with high-quality carbon removals

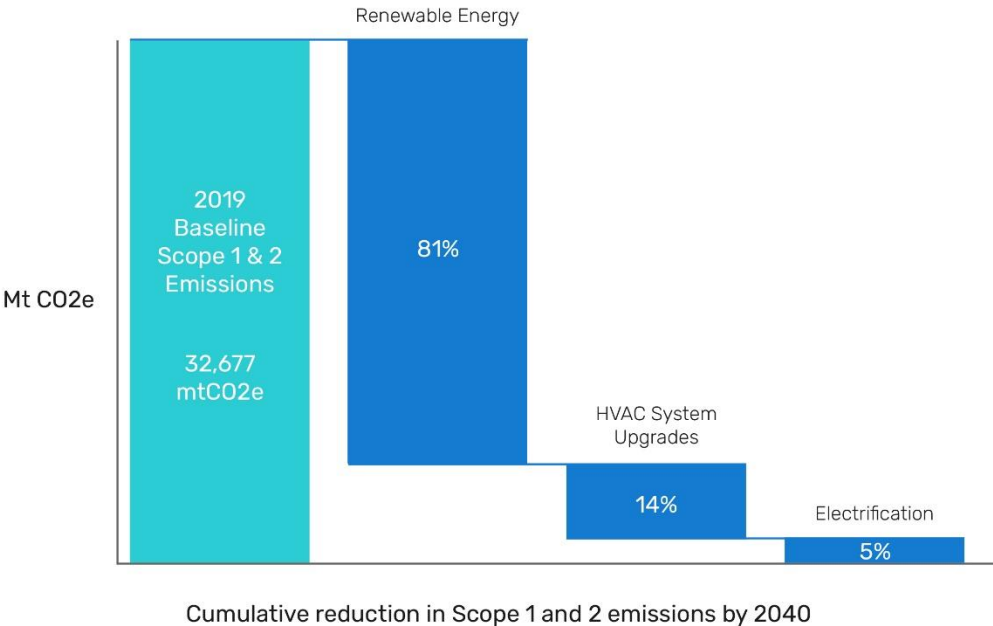
Plan and Initiatives

The three-pronged strategy outlined in this plan addresses initiatives aimed at significantly reducing Scope 1 and 2 emissions from our own operations, as well as both upstream and downstream Scope 3 emissions in our value chain through engagement with our suppliers, customers, and other stakeholders. Further, this plan outlines how Cadence products and services support energy optimization of compute activities throughout the technology ecosystem. We anticipate that the initiatives outlined below will be supported by a developing financing plan.

1. Operations and data centers

Combined Scope 1 and 2 emissions represent 7% of the 2019 baseline. Through the goal of 100% renewable electricity procurement, we aim to reduce Scope 2 emissions from electricity to zero, by 2030. Additional initiatives to eliminate emissions sources in our own operations and data centers by 2040 include opportunistic retrofits and upgrades to HVAC systems, electrification of existing fossil fuel-based systems, and other Scope 1 reductions.

Options to Reduce Baseline Scope 1 and 2 Emissions to Net-Zero by 2040



Footnote: After actions have been taken, we may neutralize remaining emissions with carbon removals to achieve our 2040 target.

Renewable Electricity (Scope 2)

Through the combination of renewable energy tariffs and high-quality renewable energy attribute certificates (EACs) our electricity consumption is nearly 100% renewable. Cadence products that involve data storage are powered by an increasing amount of renewable electricity whether on-premise, or at co-located or cloud-based data centers. Our plan is to transition to long-term renewable energy with a commitment to purchaser-caused renewable electricity through virtual power purchase agreements (VPPA) and to be 100% renewable by 2030. Our data center strategy includes energy efficient design features on-premise, partnering with efficient co-located and cloud-based data center partners that have goals to be 100% renewable electricity powered, and purchasing high-quality Renewable Energy Certificates (REC) to reduce emissions that remain.

Upgrade HVAC Systems (Scope 1)

We continue to seek improvements for our HVAC equipment to abate emissions from fugitive emissions by 2040.

Electrification (Scope 1)

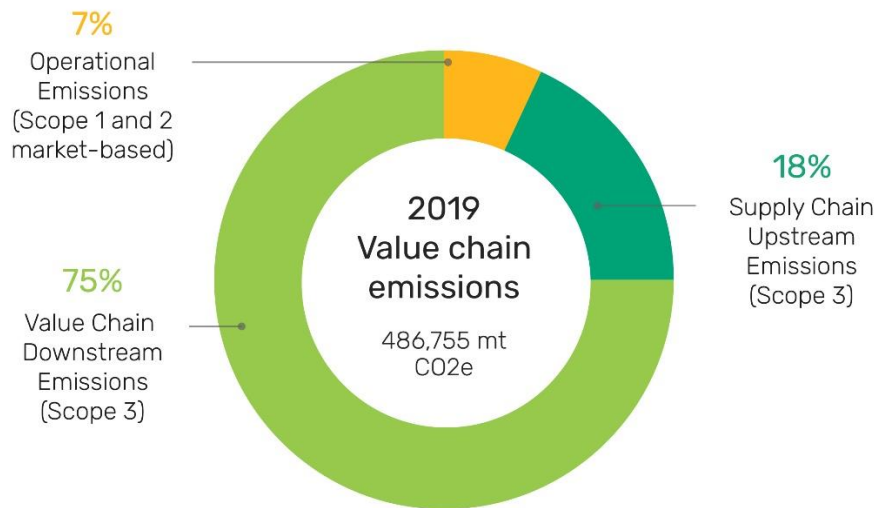
In our 2019 baseline year, heating, cooling, and electricity use in our own operations and co-located data centers accounted for 7% of our full value chain carbon footprint, before taking renewable electricity into account. Through electrification of existing fossil fuel-based systems, we aim to reduce our operational use of fossil fuels, where feasible, by 2040.

Other Scope 1 Reductions

If necessary, to achieve our long-term targets of an absolute 90% reduction by 2040, after actions have been taken, we may neutralize remaining emissions with high-quality carbon removals.

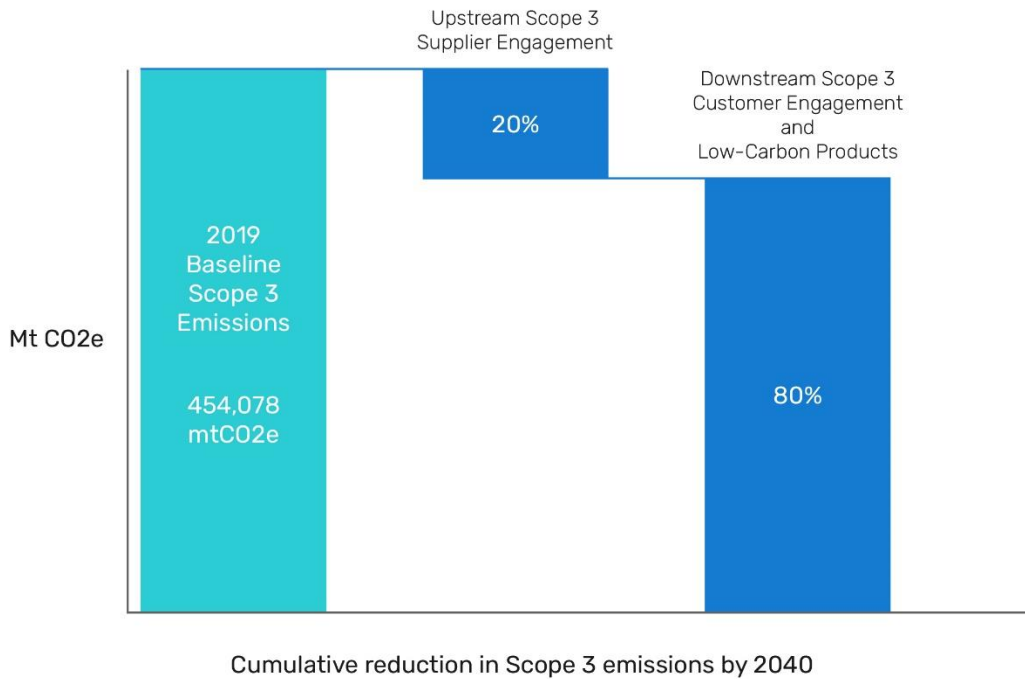
2. Our value chain through stakeholder engagement

Our suppliers, customers, and other value chain stakeholders play an important role in our Net-Zero journey. Our upstream and downstream Scope 3 emissions accounted for 18% and 75% of our 2019 baseline, respectively. Therefore, this transition plan depends on value chain cooperation and engagement with customers, suppliers, employees, stockholders, and other important stakeholders. We also engage with our customers and suppliers to improve the accuracy of our Scope 3 calculations and reflect the work these companies are doing to reduce their own carbon footprints.



Initiatives include tracking and measuring customer progress towards meaningful emission reductions, continuing strategic partnerships with suppliers who have committed to a low carbon future, and encouraging partners that have not yet set GHG reduction targets to do so.

Options to Reduce Baseline Scope 3 Emissions to Net-Zero by 2040



Footnote: After actions have been taken, we may neutralize remaining emissions with carbon removals to achieve our 2040 target.

Customer Engagement

Cadence has advanced the electronics revolution, enabling customers to design products with a sustainable mindset and transforming nearly every aspect of our daily experiences. We engage with our customers to improve the accuracy of our Scope 3 calculations and reflect the work these companies are doing to reduce their own carbon footprints.

Information mapped from our customers includes the procurement of renewable energy, renewable energy targets as well as Net-Zero targets. In measuring our Scope 3 downstream emissions, we take customers' existing renewable electricity and Net-Zero targets into consideration in our calculations and will continue to engage with customers on these topics as we work to achieve our Net-Zero target.

We market energy optimization products to our customers and inform them about the sustainability enabling attributes of our products. Webinars, available to all Cadence customers, include information around optimized power consumption to help our customers design the lowest power end-products. The majority of gains in low power occur in the early stages of design—in the architecture and microarchitecture levels. Making effective decisions at those stages requires a combination of data and technology to accurately predict how they will

translate into the final product. The Cadence low-power solution has also built links between the chip and system level to verify that the power integrity of the entire system is achieved in the context of the chip, board, and package. One of the essential drivers for the electronics industry is the desire to develop products that continuously reduce power consumption while increasing performance. Awareness of power usage, performance, and area (PPA) in electronic design is critical, another reason we run these webinars. We will continue to inform our customers about the sustainability enabling attributes of our products and encourage them to optimize their own power consumption when designing the lowest power end-products.

Supply Chain Engagement

Our supply chain is comprised of professional services, goods, and contract manufacturing of our hardware products. We expect our suppliers to conduct themselves with the same High-Performance Culture values of integrity, innovation, agility, and quality that we hold ourselves to. The principle of continual improvement governs the sustainability of our supply chain.

For climate-related issues we prioritize which suppliers to engage with based on absolute emissions, carbon intensity and spend volume with a supplier. For water-related issues, we've prioritized contract manufacturing partners and have begun assessing dependency on water, ecosystem services, and environmental assets.

Collecting GHG emissions data and GHG reduction target information annually from tier 1 suppliers are the key components of our supplier engagement strategy. To measure alignment with our strategy, we track which suppliers have set or have committed to set carbon reduction targets and respond to CDP. As part of our supplier engagement strategy, we also collect information about our supplier's water policies. Having a water policy in place is evidence of water stewardship, an important component of adaptation to climate change.

At Cadence we assess our suppliers' dependencies and impacts on climate change through their contributions to supplier-related Scope 3 emissions as well as carbon intensity. Currently, our threshold for classifying suppliers as having substantive dependencies is set to 10% or more of Cadence annual Scope 3 emissions.

Further, we assess the water-related dependencies and impacts of our suppliers. The criteria for assessing supplier dependencies and impacts on water includes the dependence on water and ecosystem services as well as environmental assets. We engage with key suppliers, prioritizing engagement based on spend volume with a supplier. For contract manufacturing partners, we have begun assessing dependency on water, ecosystem services, and environmental assets.

Employee Engagement

We are committed to investing our resources to combat climate change and taking steps to reduce the environmental impact of our facilities and business operations. Our culture inspires employees to participate in environmental initiatives that improve the sustainability of communities where we operate. Our diverse team of passionate and talented employees goes above and beyond for our customers, our communities, and each other. In support of our company values, and the carbon reduction targets we have made, we aim to engage all employees in the effort by making them aware of our Net-Zero plan and the ways they can get involved.

Policy Engagement

Early on we aligned our carbon reduction targets with the goal of limiting global warming to the Paris Agreement's 1.5°C pathway. To ensure that our engagement activities are consistent with our climate commitments, our cross-functional team at Cadence considers a variety of stakeholder perspectives on climate-related issues, including our customers, employees, investors, and experts from the scientific community. We use this feedback to drive environmental sustainability projects, develop climate-related KPIs, and improve efficiency in our operations, as well as in our engagements with stakeholders.

Cadence indirectly engages around climate policy, specifically around the use of long-term energy contracts, via the Sustainability Roundtable's Net-Zero Consortium for Buyers (NZCB), the leading transaction platform for aggregated Virtual Power Purchase Agreements (VPPAs). Cadence's position is consistent with that of the Net-Zero Consortium for Buyers (NZCB) and Southern Company.

Stockholder Engagement

As our stockholders play an important role in governance, Cadence maintains a robust stockholder engagement program to better understand viewpoints on topics such as sustainable business practices, board composition and refreshment, culture, and executive compensation. We take into consideration the feedback we receive from stockholders around climate change and other topics when developing our programs. Our stockholders also have the opportunity to communicate their views at Cadence's annual meeting or by writing to us at the address provided in the section of this proxy statement entitled "Communication with Directors."

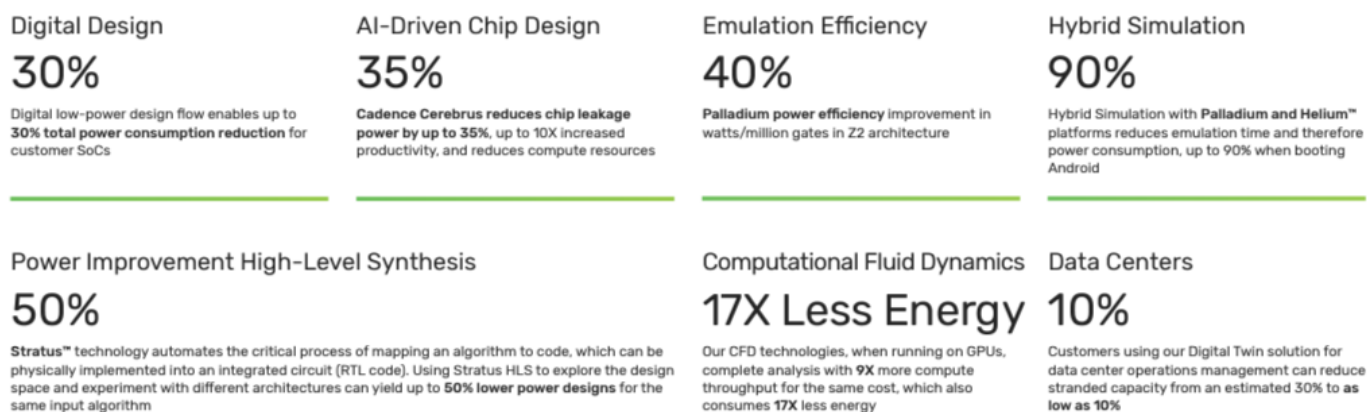
Elements of our transition plan and emissions reduction targets are included in our 2023 ESG Report, our 10k and in our Proxy Statement, as well as detailed information on climate and water-related issues through CDP. We encourage feedback from all relevant stakeholders.

3. Compute activities through Cadence products and services

Our strategy for optimizing compute is to continue to create sustainable innovation in intelligent system design for our customers. Low carbon product and services revenue accounts for a significant portion of Cadence’s annual revenue. We have identified further opportunities for development and expansion of low emission products and services as well as opportunities for our customers to advance products and services through sustainable innovation. These opportunities may increase Cadence revenues through increased demand for products and services, contingent upon customer goals and other external market factors.

Products from across Cadence’s business groups are used to create innovation with an impact on our customers’ carbon footprints. We continue to expand our evaluation processes of climate-related opportunities with a focus on compute and energy optimization through our low-power solution.

Innovators around the world are using Cadence solutions throughout the electronic system design flow, to create products—chips to printed circuit board to systems and datacenters with a demonstrated impact on energy efficiency.



Our software and services enable our customers to produce products that meet their critical business goals including time-to-market, costs and productivity while responding to growing global environmental concerns including sustainability.

At Cadence, low power design is a collection of techniques and methodologies aimed at reducing the overall dynamic and static power consumption of an integrated circuit, an IC package, or a printed circuit board, or more energy efficient performance of the end product or system they operate in. With Cadence’s chip to system design, verification, and analysis solutions, our customers have demonstrated gains by applying our AI-driven technologies through all phases of design. Cadence provides a comprehensive solution for low power including architecture optimization, power estimation and analysis, functional verification, implementation and signoff, and IP for digital and mixed-signal designs at both chip and system level.

Driving Energy Efficiency through End-to-End Intelligent System Design

PRE-SILICON SOFTWARE	Power management features; power efficient system scenario design
ARCHITECTURE	Power management features; power efficient semiconductor implementation; advanced-node technologies such as via pillars, power integrity-aware placement and optimization, clock skewing for power, continuous congestion monitoring, and optimized routers for handling self-aligned double patterning for better PPA
SIGNOFF	Comprehensive low power implementation and signoff; thermal and power integrity; ECO implementation
VERIFICATION	Power aware verification methodology; UPF support; dynamic power verification in Palladium with Perspec power scenario stimulus
PACKAGE AND PCB	Design and optimization
SYSTEM ANALYSIS	Thermal on and off chip; thermal data center/digital twin

Financial Planning

Climate-related risks and opportunities have influenced our financial planning in terms of revenues, direct costs, and capital expenditures. We will continue to invest in our own research and development to support our customers. Products from across Cadence business groups are used to enable innovation with an impact on the world’s energy demand. Continued demand for lower power and sustainable products may have a positive effect on our revenues resulting from increased demand for our products and services.

Our customers, the world’s most innovative companies delivering extraordinary electronic products from chips to boards to systems, use Cadence technology to design sustainable innovation that optimizes power, space, and energy needs of end products for the most dynamic market applications, including automotive, artificial intelligence (“AI”), aerospace and defense, high-performance and mobile computing, hyperscalers, wireless communication, industrial internet of things (“IIoT”) and life sciences. Cadence introduces significant, innovative products annually. These new innovations will be key drivers of our future growth as our customers use these tools to create products with a positive impact on energy demand.

Our short to mid-term strategy including acquisition and research and development investment has been influenced by this anticipated demand. We expect to continue to invest in our own research and development, as well as climate change mitigation and adaptation across our operations and value chain. While a dedicated budget for energy efficiency investment is in place for the short-term, the costs of long-term initiatives have yet to be precisely determined. The cost of effective solutions for long-term mitigation activities in our own operations are being evaluated.

Scenario Analysis

Methodology and Results

Climate-related scenario analysis informs our mitigation and resilience strategies. The focal questions of our scenario analysis revolve around the extent to which our current business and operational strategies are resilient in the transition to a 1.5°C today through 2030, 2040, and beyond, as well as how resilient our business model would be in a “4 degree + Warming” scenario. The extent to which our current offices are inherently vulnerable to water stress, drought, and flooding, at present and in the future (2030, 2040) has also been examined.

Although no climate-related risks with the potential to have a substantive financial or strategic impact on Cadence have been identified, we continue to invest in climate change mitigation and adaptation across our operations and value chain, as well as climate risk assessments and scenario analysis. Our efforts to use water efficiently are informed by water risk assessments. Our most recent annual water risk assessment shows that the proportion of our use and consumption of water in high or extremely high water stressed areas increased this year due to changes in the natural environment.

Cadence uses both qualitative and quantitative approaches to scenario analysis to identify organization-wide environmental outcomes annually including potential substantive climate-related risks and opportunities. Consistent with our 2030 SBTi target and 2040 Net-Zero target

and, our scenario analysis focuses on years 2030 and 2040, with a 2020 reference year, although timeframes covered also include 2050, 2060, 2070, 2080, 2090.

Our climate-related scenario analysis includes transition risks including liability risk, market risk, policy/regulatory risk, reputation risk, and technology risk as well as physical acute risks and physical chronic risks. The scope of our analysis of physical risks includes temperature extremes, tropical cyclones, and wildfire, in addition to water stress, drought, and flooding (coastal and fluvial). For transitional risks we map macro-level transition risks to our operations and value chain, quantifying the impact of carbon pricing risk exposure, applying future carbon price scenarios, quantifying potential financial or strategic impact on Cadence’s business. Relative risk is assessed through industry and peer benchmarking, as well as against the science-based climate transition pathways.

For climate change and water risks we use a “4 degree + scenario” based on RCP 8.5 with SSP5 modification, and additionally for climate change risks a “Paris (1.5-2 degree C) scenario” based on RCP 4.5 and IEA2DS is used. Carbon price scenarios (High-, Moderate-, Low-Carbon Price) based on IEA projections are also used in conjunction with risks and opportunities analysis.

Potential Opportunities Analyzed

Opportunity Category	Description
Resource Efficiency	Estimated savings from more efficient buildings and reduced water usage and consumption.
Energy Source	Estimated savings from use of lower-emission sources of energy.
Product and Services	Increased revenues from development and/or expansion of low emission goods and services and development of new products or services through R&D and innovation.
Resilience	Increased market valuation through participation in renewable energy programs and adoption of energy efficiency measures.

Potential Risks Analyzed

Risk Category	Description
Market risk	We have analyzed market risk exposure due to Cadence’s suppliers potentially being subject to increased carbon taxes and passing those increases to Cadence, for our top 100 suppliers, by GICS industry and based on activity to determine the potential risk to their EBITDA for 2025, 2030 and 2050.
Policy/regulatory risk	Our policy risk exposure scenario analysis considers the impact of future carbon prices on company financials. Policy/regulatory risk exposure in the form of increased pricing of regulated GHG emissions and increased operating costs was analyzed in five-year intervals from 2025 through 2050. The analysis considered three future carbon pricing scenarios: High Carbon Price, Moderate Carbon Price, Low Carbon Price.
Reputation risk	Reputation risk exposure was assessed through Cadence’s S&P Global ESG Climate Strategy score and by comparing Cadence’s carbon intensity against the S&P Carbon Global Standard, as well as the alignment of our carbon reduction targets with the Paris agreement through 2030 vis-à-vis a peer set.
Technology Risk	Technology risk exposure was assessed based on current low carbon service offerings and R&D spend for relevant EU taxonomy activity areas, as well as evidence of low-carbon CAPEX, OPEX and value chain spend.
Physical Risk – Acute and Chronic	The RCP 4.5 and RCP 8.5 climate-related scenarios were used to assess potential climate-related physical acute and chronic risks related to our operations by decade from the 2020s through the 2090s using business as usual, optimistic, and pessimistic conditions. The scope of our analysis of physical risks includes temperature extremes, tropical cyclones, and wildfire, in addition to water stress, drought, and flooding (coastal and fluvial). In this assessment, all Cadence Design Systems operational sites were examined, including both owned and leased locations, as well as our top 100 suppliers.

Risks and Opportunities Management

Climate-related risks and opportunities—in our operations, data centers, supply chain, and downstream in our value chain through our products—are identified and assessed primarily by the cross-functional team at Cadence and reviewed by our Board of Directors.

Processes for identifying, assessing, and responding to climate-related risks and opportunities in our direct operations and value chain are integrated into our multi-disciplinary company-wide risk management process. We evaluate potential risks and opportunities at least annually and work with consulting partners and other stakeholders to expand our climate-related risks and opportunities identification and assessment process. We continue to expand our evaluation processes of climate-related risks that could have substantive financial or strategic impact on Cadence.

When potential climate-related risk factors are identified, we assess the potential impact they may have on our operations and value chain and whether the identified risk may have the potential to impede our ability to develop new or improved existing products, deliver on our commitments to clients, or harm our reputation.

Climate-related opportunities in our direct operations and upstream value chain (supply chain) are identified and assessed primarily by the cross-functional team at Cadence. Downstream climate-related opportunity factors are identified primarily by the marketing and account management teams that support our customers.

When climate-related opportunities are identified, we assess the potential impact they may have on our revenues and operating costs against the costs and benefits of addressing the opportunity to make decisions about how to respond. For upstream or downstream partners in high emitting industries, lack of an adequate climate transition plan could result in long-term transition risks which is why we initiate engagement discussions with the relevant parties.

In the reporting year, we worked with consulting partners to expand our climate-related risk identification and assessment process. We have conducted assessments to identify acute and chronic physical risks, as well as transitional climate-related risks for Cadence in the short-term (0-3 years), medium-term (3-5 years), long-term (5-10 years) timeframes that align with our business strategy. As we work towards our longer-term energy and GHG reduction targets, we are evaluating additional ways to reduce emissions.

We continue to develop low emission goods and services and opportunities for our customers to develop new products or services through R&D and innovation that may increase revenues resulting from increased demand for products and services. Through innovation, aggressive investment, and collaboration with value chain partners, we anticipate reaching Net-Zero emissions across our value chain by 2040.

Governance

Board-level Oversight

Our Board of Directors, through its Corporate Governance and Nominating (CGN) Committee, regularly reviews the plans and progress of our environmental program and stays informed on the progress of Cadence's environmental targets and the climate transition strategy to achieve Net-Zero emissions. The CGN Committee and our Chief Executive Officer have accountability for climate-related issues. The CGN Committee reviews materials received quarterly from the executive management team (EMT) relating to these programs. Policies which outline their accountability for these issues can be found within Cadence's CGN Committee Charter. The CGN Committee approved and oversees our Net-Zero and 2030 carbon reduction targets as well as monitoring progress towards other corporate environmental targets.

Management-level Oversight

Representatives of our EMT that lead strategy and governance functions at Cadence also have responsibility for climate-related issues and are briefed regularly on these programs by our Senior Group Director of Corporate Social Responsibility. These executives review and accept new proposals and approve major actions. The CGN Committee receives and reviews materials relating to these programs quarterly.

Our Senior Group Director of Corporate Social Responsibility chairs a cross-functional team consisting of internal leaders in Facilities, Finance, Human Resources, Legal, Marketing and Procurement. These leaders identify and assess climate risks and opportunities and establish priorities within their areas.

Environmental Oversight

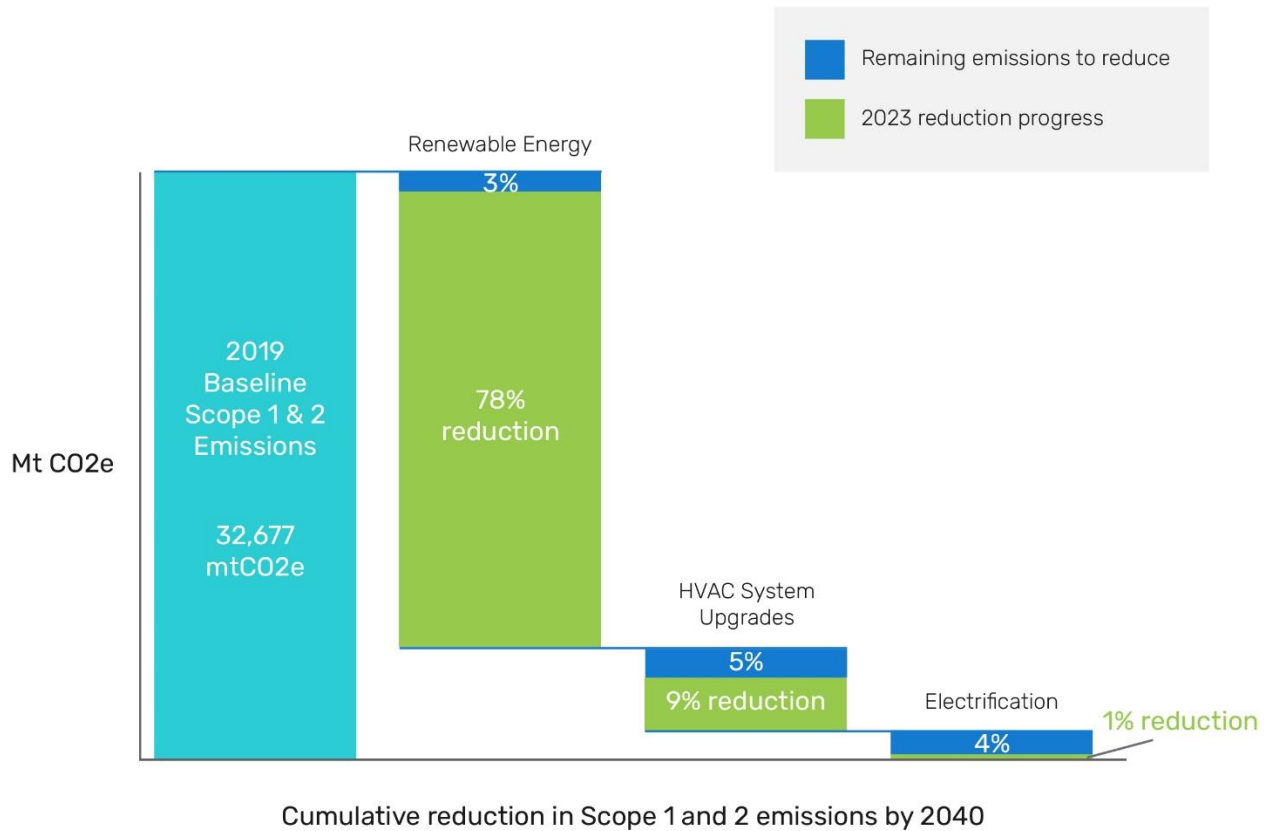


Progress

1. *Operations and data centers (Scope 1 and 2)*

By year-end 2023, we achieved an overall 88% decrease in total Scope 1 and 2 emissions over the 2019 baseline. Renewable energy procurement and refrigeration systems upgrades are the two largest contributing factors to this decrease.

Progress Towards Initiatives to Reduce Scope 1 and 2 Emissions to Net-Zero by 2040



Renewable Electricity

In 2023, we procured 97% renewable electricity through the combination of renewable energy tariffs and high-quality renewable energy attribute certificates (EACs). In early 2024, we strengthened our transition to long-term, purchaser-caused renewable energy contracts, and signed an aggregated virtual power purchase agreement (VPPA) with Southern Power Company expected to achieve commercial operation in 2026.

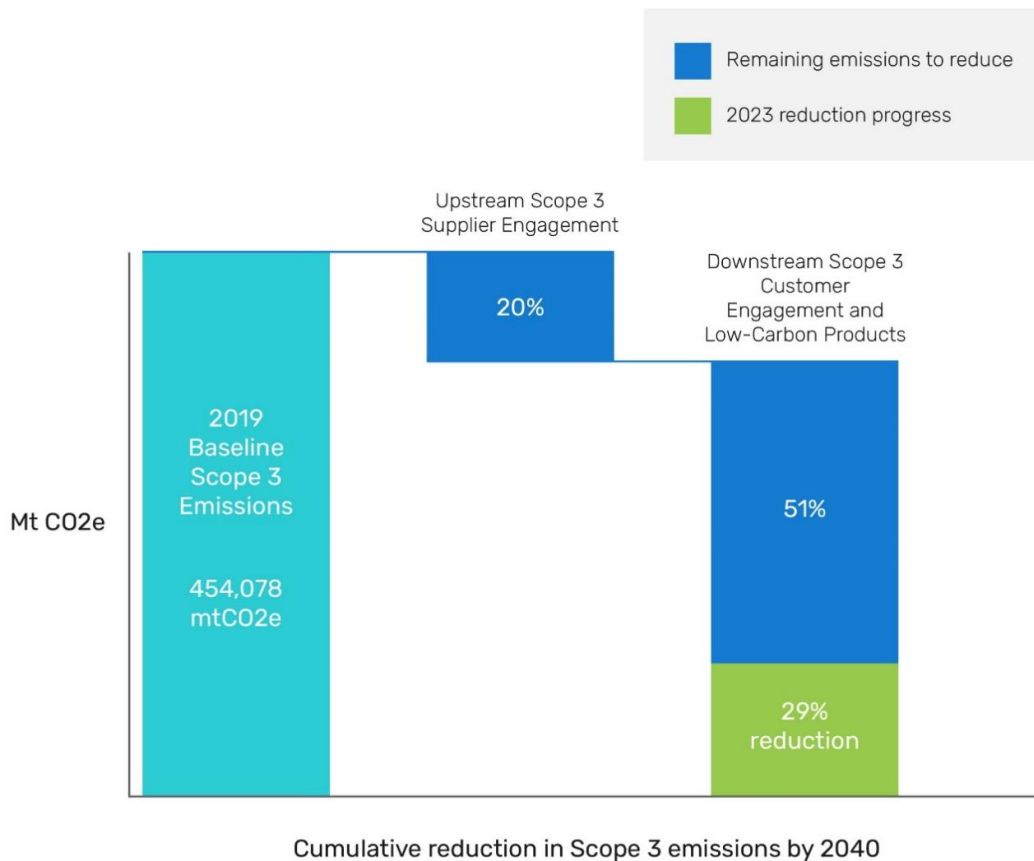
Upgrade HVAC Systems

In 2023, significant investments in refrigeration systems upgrades have contributed to an overall decrease in GHG emissions from our own operations and co-located data centers (Scope 1 and 2) over the 2019 baseline.

2. Our value chain through stakeholder engagement

Overall, total Scope 3 emissions have decreased over the 2019 baseline, with a decrease in customer emissions being the driving factor. Since 2019, absolute, downstream, Scope 3 emissions have decreased by nearly half. Given that the majority (59%) of our spend is with suppliers that have set or have committed to set science-based targets to reduce GHG emissions, we anticipate that our supplier's investments in renewable electricity and carbon reduction in their own operations may be reflected in our upstream Scope 3 emissions in the future.

Progress Towards Initiatives to Reduce Scope 3 Emissions to Net-Zero by 2040



Customer Engagement

Since 2019, absolute, downstream Scope 3 emissions have decreased largely due to our customers' investments in renewable electricity and carbon reductions in their own operations.

Supply Chain Engagement

In 2023, 80% of suppliers by spend are included in our climate-related engagement activities. For water-related issues we have prioritized contract manufacturing partners and have begun assessing dependency on water, ecosystem services, and environmental assets.

In 2023, 59% of our spend is with suppliers that have set or have committed to set science-based targets to reduce GHG emissions, up from 32% in 2022.

Employee Engagement

Cadence launched a global employee challenge based on our 2022 ESG Report, aiming to engage all employees deeply into our programs, grow awareness, and through participation create a learning experience for all employees. With this, Cadence invited all employees to contribute innovative ideas to further our sustainability objectives. These are not just company goals; they are our shared responsibility. Submissions spanned areas of Water Management, Zero Waste, Energy Efficiency, Product Innovation, and Supply Chain Efficiency. The outcome resulted in a wave of enthusiasm across our global team.

Policy Engagement

In the reporting year, Cadence joined Sustainability Roundtable's Net-Zero Consortium for Buyers (NZCB) and signed an aggregated virtual power purchase agreement (VPPA) with Southern Company. Several members of the NZCB program directly engage on policy, law and regulations that could have a positive impact on corporate-buyer favorable renewable energy transactions, including Southern Company, the developer of a purchaser-caused VPPA that Cadence has signed on to. Through this VPPA, Cadence is indirectly involved in policy engagement, specifically around the use of a long-term energy contract, via the Sustainability Roundtable's NZCB.

Stockholder Engagement

We currently publish elements of our transition plan and emissions reduction targets in our 2023 ESG Report, our 10k and in our Proxy Statement, as well as detailed information on climate and water-related issues through CDP and encourage feedback from all relevant

stakeholders.

3. Compute activities through Cadence products and services

An essential driver for the electronics industry is the desire to develop products that reduce power consumption while increasing performance. Awareness of power usage, performance, and area (PPA) in electronic design is critical. We understand these pressures and continue to innovate and provide technology to achieve the ideal combination of low power with high performance. Our short to mid-term strategy for products and services has been influenced by this demand. Low carbon product and services revenue accounts for a significant portion of Cadence's annual revenue.

In 2023, we continued to build our generative Cadence.AI portfolio, comprising the industry's broadest AI offerings spanning chip to board to system and delivering exceptional optimization and productivity benefits. As a leader in electronic system design, Cadence provides design solutions for innovators building the world's AI infrastructure. AI is rapidly transforming our world by finding new and unique solutions that reduce the power consumption of our electronic systems and is critical to bridge the engineering resource gap looming for our industry. Cadence AI-driven solutions enable exploration of more energy-efficient architectures, realize new advances with 3D-IC and chiplet-based designs, and deliver lower-power GPUs, CPUs, custom silicon, printed circuit boards (PCB), electronic systems and data centers.

Sustainability has become an increasingly important expectation in the electronics industry. Electronic Design Automation (EDA), in combination with advances in semiconductor technology, optimizes the power consumption of electronics while enabling significant performance increases. Cadence is a pivotal leader in electronic systems design and applies its underlying Intelligent System Design strategy to deliver computational software, hardware, and IP that turn design concepts into reality. We have a great responsibility to create sustainable innovation in intelligent system design, enabling the next wave of technology advancements across the tech industry.

Methodologies and Frameworks

Standards used to inform Cadence’s Climate Transition plan include:

- [Task Force on Climate-related Financial Disclosures \(TCFD\): Guidance on Metrics, Targets and Transition Plans](#)
- [GHG Protocol Corporate Accounting and Reporting Standard](#)
- [Greenhouse Gas Protocol: Corporate Value Chain \(Scope 3\)](#)
- [Science Based Target Initiative \(SBTi\) Net-Zero Standard](#)
- [CDP Technical Note: Reporting on Transition Plans](#)

Scope 1, Scope 2 (market-based), and Scope 3 Categories 1-8, 11, 12, and 15 are calculated in accordance with the GHG Protocol and 3rd party verified to the ISO 14064-3 Standard. Progress is reported in line with recognized frameworks such as the CDP, Global Reporting Initiative (GRI), Sustainability Accounting Standards Board (SASB), and TCFD.

Legal Disclaimer

This report contains forward-looking statements, including statements regarding expectations for the implementation and impact of Cadence’s environmental program, the achievement of Cadence’s emissions reduction and other sustainability-related goals, Cadence’s future sustainability performance generally, the suitability of our products to address sustainability needs, technological advancements, and other statements using words such as “aims,” “anticipates,” “believes,” “expects,” “intends,” “plans,” “will,” and words of similar import and the negatives thereof. Forward-looking statements are subject to a number of risks, uncertainties and other factors, many of which are outside Cadence’s control, and which may cause actual results to differ materially from expectations expressed or implied in the forward-looking statements, including, among others: (i) risks associated with climate change, (ii) the possibility of increased costs associated with evolving sustainability reporting standards and metrics, (iii) a slow-down of economic growth in the markets in which Cadence participates or an overall economic downturn, (iv) Cadence’s ability to successfully meet environmental targets and strategies; (v) economic, geopolitical and industry conditions, including that of the semiconductor and electronics industries; (vi) changes in environmental or other regulatory landscape; (vii) the continued acquisition of other companies, businesses or technologies or the

failure to successfully integrate and operate them; (viii) potential harm caused by compromises in cybersecurity and cybersecurity attacks; and (ix) the effects of any litigation, regulatory, tax or other proceedings to which Cadence is or may become a party or to which Cadence or its products, services, technologies or properties are subject. For a detailed discussion of these and other cautionary statements that may cause actual results to differ materially from expectations, please refer to Cadence's filings with the U.S. Securities and Exchange Commission, including its most recent report on Form 10-K, subsequent reports on Form 10-Q and other future filings. All forward-looking statements in this report are based on management's expectations as of the date of this report and, except as required by law, Cadence disclaims any obligation to update these forward-looking statements to reflect future events or circumstances.